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frontier

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BY OVERNIGHT MAIL

Mr. William F. Caton
Office of the Secretary
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

Re: Access Reform Tariff Filings

Dear Mr. Caton:

Enclosed for filing please find an original plus four (4) copies of the Reply Comments of the Frontier Telephone Companies in the above-captioned proceeding.

To acknowledge receipt, please affix an appropriate notation to the copy of this letter provided herewith for that purpose and return same to the undersigned in the enclosed, self-addressed envelope.

Very truly yours,

Michael J. Shortley, III

cc: Competitive Pricing Division

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)
	)
Access Reform Tariff Filings	)

REPLY COMMENTS OF THE FRONTIER TELEPHONE COMPANIES

Introduction and Summary

Frontier Telephone Company of Rochester, Inc., Frontier Communications of Iowa, Inc. and Frontier Communications of Minnesota, Inc. (collectively, "Frontier Telephone Companies" or "Frontier") submit this reply to the comments of AT&T Corp.[1] on Frontier's access reform filings.

Frontier briefly responds to the following issues: (1) support associated with identification of port costs; (2) the common transport volume adjustment; (3) allocation of central office equipment ("COE") maintenance and marketing expense to the TIC; (4) reduced multi-line business line counts; and (5) the identification of non-primary residential lines. As is demonstrated below, each of AT&T's arguments is without merit.

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1 Apparently, MCI and Sprint (and possibly others) also filed comments on the filings of the price cap exchange carriers. However, despite the Bureau's clear directive that such comments be served by facsimile on the person designated as the recipient for service, no party other than AT&T apparently chose to do so, at least with respect to Frontier. Given the incredibly compressed time schedule before the January 1, 1998 access tariff revisions become effective -- that incorporate monumental changes in the Commission's interstate access charge rules -- that failure visits extreme prejudice upon Frontier.

Moreover, there is no reason that can justify this omission. AT&T did serve its comments by facsimile, accompanied by a motion for leave to file later, to which, as a result of the circumstances described in the motion, Frontier has no objection.

The Commission should strike the comments of any party other than AT&T as a result of this failure.

Argument

I. THE COMMISSION SHOULD REJECT AT&T'S DEMAND THAT THE REMOVAL OF PORT COSTS FROM LOCAL SWITCHING BE SUSPENDED AND INVESTIGATED.

In its Access Reform Order, the Commission directed that exchange remove both line and trunk port costs from usage-sensitive access rate elements and recover those costs through non-traffic sensitive charges.[2] AT&T complains about the lack of cost support and the revenue-requirement-based methodologies that exchange carriers, including Frontier, utilized to remove these costs. The Commission should deny AT&T's request for suspension and investigation.

A. Frontier's Cost Support Justifies Its Removal of Port Costs.

AT&T objects to the use of Bellcore-developed cost models.[3] At this stage of the proceedings, AT&T probably knows the inner workings of these models as well as the designers of those models. This assertion of AT&T rings particularly hollow.

Moreover, to the extent that AT&T wishes the Commission to establish decision point tests to verify the accuracy and proper use of the models,[4] it should request that the Commission institute a rulemaking proceeding in this regard. A tariff investigation is simply not the appropriate forum to air such concerns.

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2 *Access Charge Reform*, CC Dkt. 96-262, First Report and Order, ¶ 128 (May 16, 1997) ("Access Reform Order").

3 AT&T at 7-9.

4 *Id.* at 7.

B. AT&T's Demonstration of "Wide Variations" Proves Nothing.

AT&T asserts that it "found wide variations in the price cap LECs reported percentages of line port investment to local switching investment and in reported percentages of line port revenues from total local switching revenues."[5] While no doubt true, AT&T's "analysis" yields numbers without meaning. At bottom, AT&T objects to a revenue-requirement-based (*i.e.*, cost-based) adjustment as opposed to a revenue-based adjustment.[6]

The short answer is that the Commission's rules contemplate a *cost* not a *revenue* based adjustment.

Frontier calculated its adjustments based upon a revenue-requirement-based cost shift. This type of adjustment focuses upon costs -- the linchpin of Part 69. Section 69.306(d) of the Commission's rules, as amended, provides that "for telephone companies subject to price cap regulation...line-side port *costs* shall be assigned to the Common Line element.[7]

In its Access Reform Order, the Commission stated:

> We direct all price cap LECs to include...an exogenous downward adjustment to the Traffic Sensitive basket...and corresponding exogenous upward adjustment to the Common Line Interstate Access Elements basket...to reflect the recovery of the interstate NTS *costs* of line-side ports from the Common Line Rate elements.[8]

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5 *Id.* at 9.

6 *Id.* at 10.

7 47 C.F.R. § 69.306(d) (emphasis added).

8 Access Reform Order, ¶ 129 (emphasis added).

AT&T's pure, revenue-based approach ignores the cost focus (captured by a revenue-*requirement* analysis) of the Commission's rules.

There comes a time when the Commission should say enough. Previous tariff investigations -- some of which have dragged on for over a decade and many of which are in various stages of incompletion prove the adage that the perfect should not become the enemy of the good. AT&T's arguments on this score point the point and should[9] be rejected.

II. AT&T's COMMON TRANSPORT REMOVAL ANALYSIS IS FLAWED.

AT&T complains that the issue of actual minutes of use -- as opposed to the previously-presumed 9,000 minutes of use -- has, in some cases, produced upward on the TIC.[10] AT&T posits a "heads-I-win, tails-you-lose" scenario.

What AT&T suggests is that, if the shift increases the TIC, but decreases tandem transport rates, only the latter should be permitted. The short answer is that the Access Reform Order did not contemplate such a one-sided adjustment. The offsetting adjustment to the TIC (positive or negative) is a necessary outgrowth of the Commission's requirement to utilize actual -- as opposed to presumed -- volumes. AT&T's argument to the contrary should be rejected.

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9 AT&T further asserts (at 10) that the amount of port costs removed fell below Commission expectations. The Commission, however, must base any reasoned analysis upon actual data -- such as that supplied by Frontier -- and not upon guesses, surmise and speculation.

10 AT&T at 18-19.

III. FRONTIER PROPERLY ALLOCATED COE MAINTENANCE AND MARKETING EXPENSE.

AT&T asserts that the Access Reform Order required that the price cap exchange carriers allocate both COE maintenance and marketing expense to the TIC.[11] AT&T also complains that this allocation should have been based upon the TIC as it existed on June 30, 1997.[12] Neither assertion is correct.

In the case of Frontier, it allocated marketing but not COE maintenance expense in this manner. This is the correct approach. The Access Reform Order directs price cap LECs to remove marketing expense from the switched access portion of the trunking basket:

> The service band indices (SBIs) within the trunking basket shall be decreased based on the amount of 6610 marketing expense allocated to switched services in each service category.[13]

This paragraph does not mention utilizing the TIC as it existed on June 30, 1997. Nor does such an approach make sense. The only way to allocate marketing expense utilizing the June 30, 1997 TIC would be to allocate it based upon utilizing June 30, 1997 switched revenues for the entire trunking basket. This is a truly apples and oranges comparison. Frontier properly allocated its marketing expense exogenous change by switched revenues as of the last PCI update.

Moreover, the Access Reform Order does not contemplate that COE maintenance expense be targeted to bands. Because the Part 69 allocations do not

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11 AT&T at 31-32.

12 *Id.*

13 Access Reform Order, ¶ 323.

correspond to the price cap bands, there is no reasonable methodology for allocating COE maintenance expense among the bands and AT&T provides no detail as to how such an allocation should be performed. Frontier properly treated COE maintenance expense as a basket-level exogenous change in the trunking basket. This change affects all bands in the trunking basket, including the TIC.

IV. AT&T'S COMPLAINT REGARDING REDUCED MULTI-LINE BUSINESS LINE COUNT IS MISPLACED.

AT&T contends that, because the Commission concluded that basic rate interface ("BRI") ISDN lines are overwhelmingly used by residential and single-line business users, there should be a net shift from residential/single-line business lines to non-primary residential lines. It objects to a shift from multi-line business lines to non-primary residential lines to account for BRI-ISDN lines.[14]

AT&T's point is not well-taken, at least in the case of Frontier, because the Commission's speculation is simply incorrect. In workpapers being filed contemporaneously herewith, Frontier identifies those BRI/ISDN lines actually subscribed to by multi-line business versus other customers. In determining the appropriate line count classifications, the Commission must rely upon actual data, not its own ruminations.

[14] AT&T at 34-35.

V. THE COMMISSION SHOULD REJECT AT&T'S COMPLAINT REGARDING ALLEGED UNDERSTATED DEMAND FOR NON-PRIMARY RESIDENTIAL LINES.

Frontier agrees wholeheartedly with AT&T[15] that the Commission should jettison this classification. That being said, AT&T's assertion that non-primary residential lines should average 10-20% of all residential/single-line business lines is nothing more than mere speculation. The line counts provided by Frontier are based upon actual billing data, utilizing the subscriber lines per bill method. This method is as reasonable as any and the Commission has prescribed no other method.[16]

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15 *Id.* at 39-40.

16 The Commission has not even hinted how exchange carriers could even attempt to police -- which is most definitely *not* the job of *any* common carrier -- the unrealistic categories the Commission has developed.

Conclusion

For the foregoing reasons, the Commission should reject the assertions of error -- as applied to Frontier -- advanced by AT&T.[17]

Respectfully submitted,

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December 16, 1997

[17] As set forth *supra* at 1 n.1, the Commission should strike -- and give no credence to -- the comments filed by any other party.

Certificate of Service

I hereby certify that, on this 16th day of December, 1997, a copy of the foregoing Reply Comments of the Frontier Telephone Companies was served by facsimile upon;

Safir Rammah
AT&T
Facsimile (703) 691-6314

Michael J. Shortley, III